

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

In re : Chapter 11
Chrysler LLC, et al., : Case No. 09-50002 (AJG)
Debtors. : (Jointly Administered)

**LIMITED OBJECTION OF THE ILLINOIS WORKERS' COMPENSATION
COMMISSION AND ILLINOIS SELF-INSURERS ADVISORY BOARD TO
DEBTORS' SALE MOTION**

The Illinois Workers' Compensation Commission (the "Commission") and the Illinois Self-Insurers Advisory Board (the "Board"), by and through their attorney, LISA MADIGAN, Illinois Attorney General, submit this limited objection to the *Motion of Debtors and Debtors in Possession, pursuant to sections 105, 363 and 365 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004 and 606, for (I) an Order (A) Approving Bidding Procedures and Bidder Protections for the Sale of Substantially all of Debtors' Assets and (B) Scheduling a Final Sale Hearing and Approving the Form and Manner of Notice Thereof; and (II) an Order (A) Authorizing the Sales of Substantially all of the Debtors' Assets, Free and Clear of Liens, Claims, Interests and Encumbrances, (B) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection Therewith and Related Procedures, and (C) Granting Certain Related Relief* (Doc. No. 190) (the "Sale Motion"). The Commission and Board do not oppose the proposed sale of Debtors' assets to the potential buyer. However, the Commission and Board oppose any sale that does not provide full

compensation for the Debtors' injured Illinois workers.

1. The Commission is a statutory agency created by the legislature of the State of Illinois, pursuant to 820 ILCS 305/13 et seq., having the sovereign responsibility to ensure that workers, injured during the course of their employment, are compensated as required under Illinois law. The Commission also has the sovereign responsibility to ensure that an employer who comes within the provisions of Section 3 of the Workers' Compensation Act (hereinafter referred to as the "Act") shall insure payment of such compensation pursuant to the Act.

2. The Board is a statutory agency of the State of Illinois pursuant to 820 ILCS 305/4a-1, et seq., charged with the responsibility of providing for the continuation of workers' compensation benefits, unpaid, due to the insolvency or default of a self-insured debtor.

3. Prior to filing its bankruptcy petition, the Debtors applied for and were granted the privilege to self-insure their workers' compensation claims, pursuant to 820 ILCS 305/4a-1 seq.: said period of self-insurance running from August 1, 1965 through the present.

4. Pursuant to the Debtors' Sale Motion they have requested to sell substantially all of their operating assets and have reached an agreement with a potential bidder. The Sale Motion provides that the successful bidder will assume Debtors' employment and termination liabilities "**other than workers' compensation**". Exhibit A of the Sale Motion's Master Transaction Agreement provides in pertinent part:

Purchaser shall not assume and shall be deemed not to have assumed, and Sellers shall be solely and exclusively liable with respect to, any Liabilities of Sellers other than the Assumed Liabilities (collectively the "Excluded Liabilities"). For the avoidance of doubt, the Excluded liabilities include the following:

(d) all Liabilities of any Seller for Workers' compensation claims against any Seller that relate to the period on or before the Closing Date, irrespective of whether such claims are made prior to, or after the Closing Date.

Sale Motion, Exhibit A, Master Transaction Agreement, pp 9-10.

5. If Debtors' Sale Motion is approved and substantially all of Debtors' assets are sold to the successful bidder without assumption of Debtors' Illinois workers' compensation liability being addressed, the Debtors are unlikely to have sufficient assets in the estate to ensure payment of all of their Illinois workers' compensation obligations ("Claims").

6. If the Debtors' Claims are not assumed by the qualifying bidder and if the Debtors otherwise default on their Claims, the Board must assume payment and administration of them. Such a situation would likely deplete the funds available and, unless the Debtors can show that there will be sufficient unencumbered proceeds or other funds available to pay the Claims, result in the necessity of imposing additional and ongoing assessments against all other Illinois self-insured corporations, in an effort to adjudicate, administer and pay the claims filed against the Debtors.

7. Granting the Sale Motion, as presented, could not only place a substantial burden on all other Illinois self-insured employers resulting in substantial harm to Illinois' Self Insurance program but may also potentially affect the ability of the purchaser to qualify for self-insured status.

WHEREFORE, the Illinois Self-Insurers Advisory Board and the Illinois Workers' Compensation Commission respectfully requests that this Honorable Court enter an Order denying the Sale Motion unless the Debtors can demonstrate that they will have sufficient funds to pay the Claims or the purchaser assumes the obligation to pay the Claims.

Respectfully Submitted,

The Illinois Workers' Compensation
Commission and the Illinois Self-Insurers
Advisory Board

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EXHIBIT A